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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

RECEIVED
AUG 11 2004
DIVISION OF MARKET REGULATION

SEC FILE NUMBER
8-18457

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2003 AND ENDING DECEMBER 31, 2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

STOLPER & Co., INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

ONE AMERICA PLAZA 600 WEST BROADWAY, SUITE 1010

(No. and Street)

SAN DIEGO,

CALIFORNIA

92101-3355

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT:

BARBARA MALONE, MANAGING DIRECTOR

(619) 231 - 9102

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report.*

CORADINO HICKEY AND HANSON, A CPA CORPORATION

(Name - if individual, state last, first middle name)

4275 EXECUTIVE SQUARE, SUITE 200

LA JOLLA

CALIFORNIA

92037-1476

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

AUG 23 2004

**THOMSON
FINANCIAL**

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Barbara Malone, Managing Director, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stolper & Co., Inc., as of December 31, 2003 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

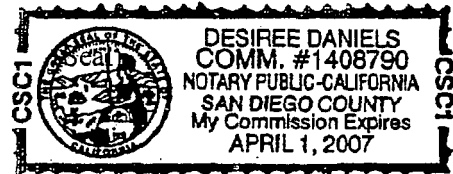
Barbara Malone
Barbara Malone
(Title) Managing Director

STATE OF CALIFORNIA) On this 23 day of February in the
) ss. year 2004, before me, DESIREE DANIELS
COUNTY OF SAN DIEGO) a Notary Public, State of California, duly commissioned and sworn,
personally appeared BARBARA MALONE, personally known to me ^{and} proved to me on the basis of
satisfactory evidence) to be the person(s) whose name is/are subscribed to the within instrument, and acknowledged to me
that She executed the same in his/her/their authorized capacity(ies), and that his/her/their
signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the
instrument.

WITNESS my hand and official seal.

Desiree Daniels
Notary Public, State of California

My commission expires 04-01-07



This report ** contains (check applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirement Under Exhibit A of Rule 15c3.3
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A Copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Certified Public Accountants' Supplementary Report on Internal Accounting Control.
- ☐ (p) Schedule of segregation requirements and funds in segregation-customers' regulated commodity futures account pursuant to Rule 171-5.

** For conditions of confidential treatment of certain portions of this filing, see section 240.17e-5(e)(3).

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2003

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 48,482
Capital Preservation Fund	625,828
Accounts receivable	30,949
Accounts receivable from affiliated partnerships	30,815
Prepaid expenses	8,509
Other current assets	<u>5,092</u>
Total current assets	<u>749,675</u>

FURNITURE, EQUIPMENT AND IMPROVEMENTS

Furniture and equipment	387,125
Leasehold improvements	<u>12,964</u>
	400,089
Less accumulated depreciation and amortization	<u>(357,699)</u>
	<u>42,390</u>

INVESTMENTS IN AFFILIATED PARTNERSHIPS

	<u>13,953</u>
	<u>\$ 806,018</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 9,424
Accrued expenses	9,784
Deferred revenue	<u>8,440</u>
Total current liabilities	<u>27,648</u>

STOCKHOLDERS' EQUITY

Common stock, \$1 par value; 25,000 shares authorized; 900 shares issued and outstanding	900
Additional paid-in capital	13,383
Retained earnings	<u>764,087</u>
	<u>778,370</u>
	<u>\$ 806,018</u>

See notes to financial statements.

STOLPER & CO., INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2003

REVENUES

Commissions	\$ 776,176
Consulting income	1,360,526
Dividend and interest income	5,227
Other income	<u>3,825</u>
	<u>2,145,754</u>

EXPENSES

Employee compensation and benefits	1,427,692
Broker commissions and clearing fees	137,598
Occupancy and communications	88,268
Other operating expenses	<u>404,669</u>
	<u>2,058,227</u>

Net income before provision for income taxes	<u>87,527</u>
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PROVISION (BENEFIT) FOR INCOME TAXES

Current	1,500
Deferred	<u>(1,100)</u>
	<u>400</u>

Net income	<u>\$ 87,127</u>
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See notes to financial statements.

STOLPER & CO., INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
BALANCE AT, December 31, 2002	\$ 900	\$ 13,383	\$ 676,960	\$ 691,243
Net income	<u>-</u>	<u>-</u>	<u>87,127</u>	<u>87,127</u>
BALANCE AT, December 31, 2003	<u>\$ 900</u>	<u>\$ 13,383</u>	<u>\$ 764,087</u>	<u>\$ 778,370</u>

See notes to financial statements.

STOLPER & CO., INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 87,127
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation and amortization	39,884
Deferred income taxes	(1,100)
Effect of changes in:	
Accounts receivable	(12,423)
Prepaid expenses and other current assets	5,435
Accounts payable	6,154
Accrued expenses	(3,216)
Deferred revenue	<u>3,523</u>
Net cash provided by operating activities	<u>125,384</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net purchases of investments through Capital Preservation Fund	<u>(176,217)</u>
Net cash used by investing activities	<u>(176,217)</u>

Decrease in cash and cash equivalents	(50,833)
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CASH AND CASH EQUIVALENTS, beginning of year	<u>99,315</u>
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CASH AND CASH EQUIVALENTS, end of year	<u>\$ 48,482</u>
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See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

1. DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stolper & Co., Inc. (the "Company"), a California Corporation, is registered with the Securities and Exchange Commission ("SEC") as a securities broker-dealer and is a member of the National Association of Securities Dealers, Inc. The Company's customers consist primarily of affluent individual investors, corporations, trusts, partnerships, and pension plans located throughout the United States of America.

The Company operates under SEC Rule 15c3-3(k)(2)(ii) (the Customer Protection Rule), clearing all transactions on behalf of customers on a fully disclosed basis through a clearing firm. The Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

Consulting fees, consisting primarily of investment management and advisory services, are billed primarily on a quarterly basis, in advance. The revenue from such services is recognized ratably over the billing period in which the services are to be performed. Deferred revenue represents amounts billed in advance for consulting fees. Commission revenue and related commission expense from securities transactions are recognized as of the trade date.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Company considers all highly liquid investments such as money market funds with a maturity of three months or less at the date of acquisition to be cash equivalents.

The Company maintains its cash and cash equivalent balances at a financial institution located in San Diego, California. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Company's accounts, at times, may exceed the federally insured limit. At December 31, 2003, the Company had no uninsured cash balances.

Accounts receivable consist of the amounts due from the Company's normal business activities. The Company considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Furniture, equipment, and improvements are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which are estimated to be three to seven years. Leasehold improvements are amortized over the term of the lease or their estimated useful lives. Depreciation and amortization expense charged to operations for the year ended December 31, 2003 was \$39,884.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

1. DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company was a general partner in three limited partnerships during the year: Stolper Defensive Growth Partners, LP ("SDGP"), Stolper Pegasus Partners, LP ("SPP"), and Stolper Growth Partners, LP ("SGP"). Since the ownership interest in each of these partnerships is less than one percent, they are accounted for using the cost method. Subsequent to year-end, in January 2004, SGP was dissolved and substantially all of the Company's interest in SGP was transferred to SDGP.

2. CAPITAL PRESERVATION FUND

The Capital Preservation Fund is a money market mutual fund that invests in securities issued by the U.S. Treasury that are guaranteed by the direct full faith and credit pledge of the U.S. government. The Fund maintains a weighted average maturity of 71 days or less in its underlying securities. The Capital Preservation Fund is stated at market value, which is a constant \$1/share.

3. INCOME TAXES

The Company, with the consent of its stockholders, has elected "S" Corporation status. The Company reports on the cash basis method of accounting for income tax purposes. Under "S" Corporation status, the current annual cash-basis taxable income and losses and/or deductions of the Company is reported by the stockholders' on their individual Federal and State income tax returns. Therefore, no Federal income taxes are reflected in the financial statements for the Company. California has imposed a 1.5% surtax on the corporate profits of an "S" Corporation which is reflected in the income tax provision.

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based upon enacted tax laws and rates applicable to the years in which the differences are expected to affect taxable income. The source of these differences and the resulting cumulative tax effect results primarily from the recognition of revenues and expenses, and the related assets and liabilities, on the cash basis of accounting for income tax purposes and the accrual method of accounting for financial statement purposes.

Cash paid for income taxes for the year ended December 31, 2003 was \$444.

4. LEASE COMMITMENT

The Company leases its office space under a noncancellable operating lease agreement, which expires in June 2004. The lease requires the Company to pay all property taxes, insurance, and maintenance plus a monthly rent of approximately \$4,900. The Company is in the process of negotiating a new lease agreement with the landlord. The total rent expense under noncancellable operating leases charged to operations for the year ended December 31, 2003 was approximately \$66,000.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

4. LEASE COMMITMENT (Continued)

The total annual minimum lease commitments at December 31, 2003 under this lease are approximately as follows:

<u>Years Ending December 31.</u>	
2004	\$ 29,700
Thereafter	<u>-</u>
	<u>\$ 29,700</u>

5. RELATED PARTY TRANSACTIONS

During 2003, the Company recorded management fees of approximately \$111,000 from affiliated entities SDGP, SPP, and SGP, which have been included in consulting fees in the accompanying statement of operations.

At December 31, 2003, \$30,815 was due from affiliated partnerships for management fees.

6. RETIREMENT PLAN

The Company has a profit-sharing plan, which covers all full-time employees over twenty-one years of age who have completed one year of service. Company contributions are at the discretion of management subject to certain statutory limitations. For the year ended December 31, 2003 the Company's discretionary contributions totaled approximately \$88,700.

7. SHAREHOLDERS AGREEMENT

In July 1998, the Company and one of its shareholders entered into an agreement to restrict the transfer of the shareholder's shares of the Company's common stock. In the event of any purported transfer or other repurchase event, the Company must be notified first in writing. The Company has the right to purchase such shares at the price and on the terms defined in the agreement. In the event the Company does not elect to purchase such shares, the Company will offer such stock to its non-offering shareholder, at the price and on the terms as defined. In such an event, if the Company and non-offering shareholder do not purchase the shares, then each purchaser or transferee is subject to the provisions and restrictions of this shareholders agreement.

8. NET CAPITAL REQUIREMENT

The Company, as a registered broker-dealer, is required under the provisions of the Securities Exchange Act of 1934 Rule 15c3-1 to maintain the greater of a minimum net capital of at least \$5,000 or one-fifteenth of the aggregate indebtedness as defined under the Act. At December 31, 2003, the Company's net capital was \$557,286 and the Company's aggregate indebtedness was \$27,648 or 5% of net capital.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

9. COMMISSION REVENUE AGREEMENT

The Company earns commission revenue under an agreement with a securities broker whereby the broker acts as a clearing agent for the Company's customer securities transactions. The agreement contains certain covenants with which the Company must comply, including requirements to maintain minimum net capital of not less than \$50,000 in excess of the minimum net capital requirement per Rule 15c3-1, and to maintain at least \$500,000 of blanket brokers' indemnity bond insurance covering any and all of its employees, agents, and partners.

STOLPER & CO., INC.

SUPPLEMENTARY SCHEDULES

STOLPER & CO., INC.

SCHEDULE I - COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS

DECEMBER 31, 2003

Total ownership equity from statement of financial condition	\$ 778,370
Total non-allowable assets	(131,907)
Excess bond deductible	<u>(5,000)</u>
Net capital before haircuts on securities positions	641,463
Haircuts on securities:	
Investment, Capital Preservation Fund	<u>(84,177)</u>
Net capital	<u>\$ 557,286</u>
Minimum net capital required (based on aggregate indebtedness)	<u>\$ 1,841</u>
Minimum net capital requirement	<u>\$ 5,000</u>
Net capital requirement	<u>\$ 5,000</u>
Excess net capital	<u>\$ 552,286</u>
Excess net capital at 1000%	<u>\$ 554,521</u>
Total aggregate indebtedness	<u>\$ 27,648</u>
Percentage of aggregate indebtedness to net capital	<u>5%</u>

STOLPER & Co., INC.

SCHEDULE II – EXEMPTIVE PROVISION UNDER RULE 15c3-3

DECEMBER 31, 2003

An exemption from Rule 15c 3-3 is claimed based on:

All customer transactions are cleared through another Broker-Dealer on a fully disclosed basis.

Name of Clearing Firm:

Merrill Lynch, Pierce, Fenner & Smith Inc.

SEC No. 8-7221

Product Code A

STOLPER & CO., INC.

**CERTIFIED PUBLIC ACCOUNTANTS' SUPPLEMENTARY REPORT
ON INTERNAL ACCOUNTING CONTROL**

STOLPER & Co., INC.

SCHEDULE III - RECONCILIATION OF NET CAPITAL PURSUANT TO RULE 17a-5(d)(4)

DECEMBER 31, 2003

Net capital as reported in Part IIA of the Company's FOCUS report at December 31, 2003	\$ 655,148
Adjustment to net income for consulting income	(5,000)
Adjustment to net income for retirement plan contribution	(8,685)
Adjustments to non-allowable assets	5,000
Adjustment for excess bond deductible	(5,000)
Adjustment to haircuts on investments	<u>(84,177)</u>
Adjusted net capital	<u>\$ 557,286</u>
Regulatory net capital, per audit	<u>\$ 557,286</u>

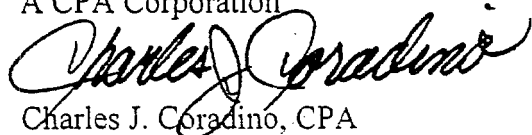
Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. This report recognizes that it is not practicable in an organization the size of Stolper & Co., Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

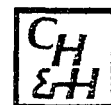
We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

CORADINO HICKEY and HANSON
A CPA Corporation


Charles J. Coradino, CPA

January 27, 2004



STOLPER & Co., INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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